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Incentive Marketing

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INCORPORATING INCENTIVE TRAVEL

FACTS '86

Customer service
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- Leisure Products
- Hawaii
- South Pacific

December 1986

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Performance and pay

New survey shows shift from typical raises to nontraditional rewards

When Thomas H. Melohn burst onto the scene at North American Tool & Die in his loud golf pants, gold shirts and blue blazers, the San Leandro, Calif., manufacturer was marginally profitable with an unenthusiastic work force.

In the eight years since he and a partner acquired NATD, sales have more than tripled, profits are seven times what they were, employee turnover has dipped from 27 percent to 4 percent and the customer reject rate of NATD products has dropped from 5 percent to 0.1 percent, Melohn reports. All this, he adds, during a recession in NATD's marketplace —Silicon Valley.

His secret? "Simplistically stated, in our judgment a happy employee is a more productive employee. His output increases, his rejects fall, his attitude improves, turnover drops. . . and besides, it's more fun to work with him," Melohn says.

To produce those happy and productive employees, NATD has turned to innovative motivation programs such as gain sharing, recognition rewards and a stock ownership plan. According to a new survey on nontraditional reward and human resource practices by the American Productivity Center and American Compensation Association, NATD is just one of a rapidly growing number of American firms adopting nontraditional reward systems in the quest to reverse sagging productivity.

The survey's major finding is a distinct shift away from cost-of-living adjustments, merit increases and across-the-board increases as the basis for pay raises and a new emphasis on pay for performance, productivity and quality.

A report on the People, Performance, and Pay survey was released last month during the American Productivity Center's conference on Paying, Motivating and Rewarding Employees in the '80s, held in Houston.

The survey looks at responses from 1,598 organizations: 741 in the goods-producing sector, 741 service-producing organizations and 116 government facilities or unclassified organizations. Represented were 40 different industry groups employing over nine million people, or about 10 percent of the civilian working population in the United States.

Unprecedented levels of competition, along with stagnant productivity, is at the root of the move to nontraditional reward systems, according to the survey. The more competition a firm reports, the more likely it is to use nontraditional rewards—one reason why firms in the goods-producing sector are more likely to use profit sharing, pay for knowledge (hourly or salaried pay determined by the number of jobs an employee can do) and all salaried plans (jobs traditionally considered nonsalaried or hourly treated as salaried positions) than are those in the service sector.

"Almost 48 percent of the goods-producing firms report an increase in both foreign and domestic competition compared to 18.6 percent in the service sector," the report states.

Users report success

Firms turning to nontraditional reward systems report high levels of success with a variety of programs, according to the survey. Of the respondents, 89 percent reported a positive or very positive impact from pay-for-knowledge plans; 85 percent reported such impact for earned-time-off programs, where employees are rewarded for exceptional performance with paid time off, and 81 percent reported their gain-sharing programs a success. Small group incentives were rated positive or very positive by 75 percent of the respondents; profit sharing, by 74 percent; individual incentives, by 73 percent; all salaried

RATING OF REWARD SYSTEMS*

Reward System	# of firms	Rating
Gain sharing	170	81%
Profit sharing	507	74
Small group incentives	185	75
Earned time off	99	85
Lump sum bonus	163	66
All salaried	169	67
Pay for knowledge	70	89
individual incentives	192	73
Recognition	487	30**

*Percent reporting "positive" or "very positive" impact on performance

**Percent reporting "effective" or "very effective"

systems, by 67 percent, and lump sum bonuses, by 66 percent.

Recognition was the only reward system users found to have little impact on performance. Only 30 percent rated recognition as effective or very effective in boosting performance levels.

Different nontraditional rewards are used with different types of employees. Pay for knowledge and gain sharing are most prevalent with production workers. All salaried plans, profit sharing and lump sum bonuses are most often used with managerial employees.

More than two-thirds of respondents reporting sales and marketing practices have incentive plans in addition to traditional base salary or base salary plus commission compensation plans for salespeople. Fifty-six percent report using non-cash awards.

The survey reveals that sales and marketing managers have difficulty identifying the additional sales generated by commission plans. "Only 19 percent of the respondents could make an estimate of the incremental sales or revenue due to their commission programs.

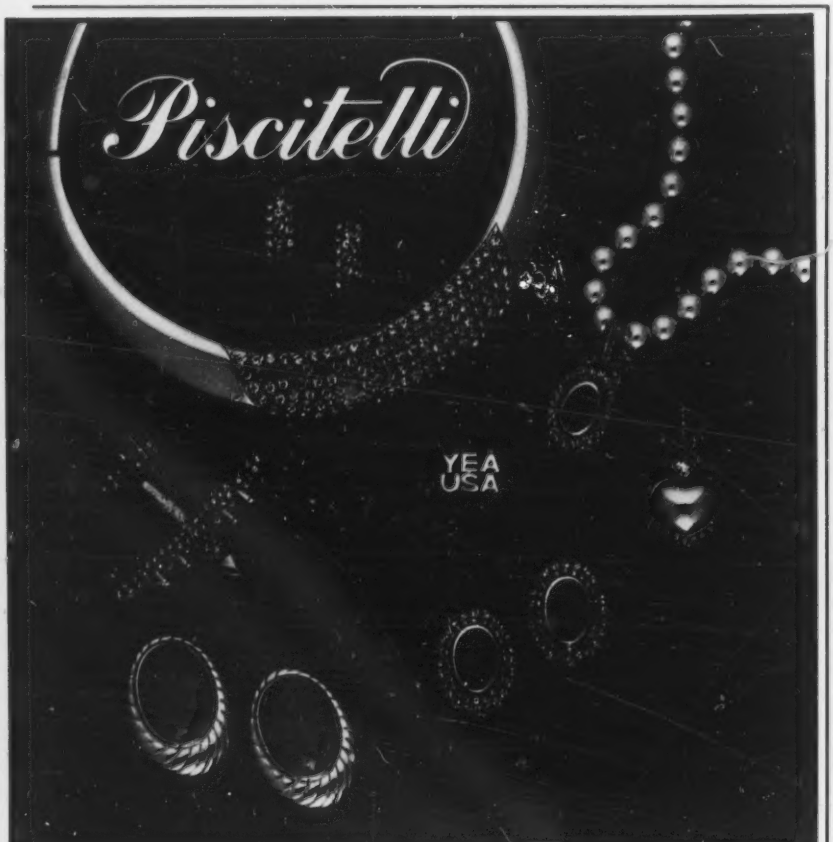
"In contrast, 35 percent could estimate what they got from their special cash incentives and 47 percent were able to provide data on the incremental value of non-cash incentives."

The People, Performance and Pay survey also charts quality of work life issues. It finds that the growth of employee involvement programs parallels that of nontraditional rewards. "We think it is no coincidence that firms with group-based pay for performance systems also have more active employee involvement programs, more employee security strategies and greater information sharing than other organizations."

Despite the tremendous growth in pay-for-performance programs, "less than 10 percent of firms have integrated their human resource and compensation strategies." The benefits of such coordination, however, are setting the country's most forward-thinking companies apart. "These organizations are not merely changing the way they pay people, they are creating a relationship of common fate and mutual commitment between employees and the organization," the survey concludes. ■

Correction

JCPenney Financial Services is not a current client of United Marketing Services, according to a Penney spokesperson, and the insurance division does use JCPenney gift certificates. This was stated incorrectly in the September issue.



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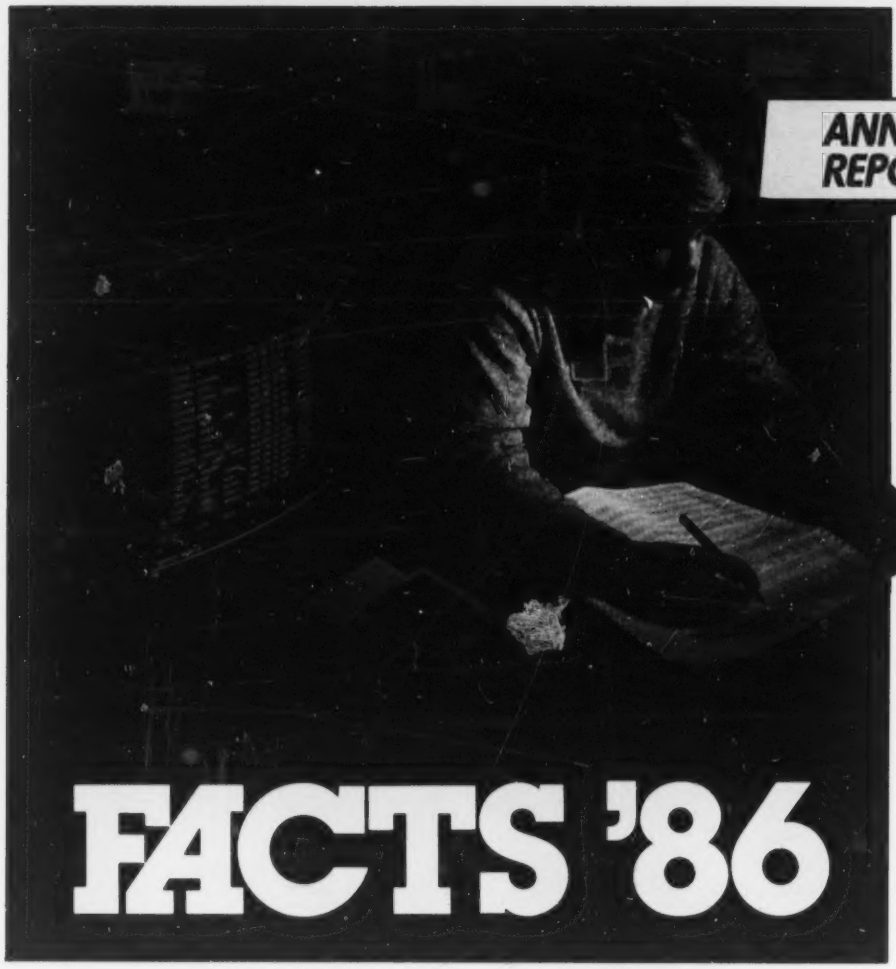


Industry places more emphasis on the sales force and the trade, as consumer promotion growth lags.

The incentive picture in 1986 presents a crazy quilt of varied hues ranging from the rosy optimism of a few industries to the blues of some that are troubled and depressed.

Unfortunately the overall effect is gray, with minimal growth—only a 2.9 percent estimated increase in expenditures over the 1985 level.

The patchwork includes 10 industry groups that increased their incentive activity at a faster pace than last year and 10 that report declines in promotional programs.

In total, American business is spending an estimated $13.14 billion for all types of incentive efforts this year. The expansion of 2.9 percent over last year is the smallest recorded in many years. With inflation at a record low for recent times, some slight real growth exists, but it is nothing to brag about.

However, promotions seem to be working effectively, as shown by **Incentive Marketing**'s five special surveys in the course of the year. Results are a bit less impressive than those of 1985 but nevertheless worth the effort.

FACTS '86

Of specific promotion types, sales incentives are the best performers this year, with a gain of 6.7 percent.

Consumer promotion is where the weakness shows in the 1986 estimates, with no growth seen. Trade promotion, on the other hand, is up by 6.2 percent this year. Many users appear to be losing faith in the pull of direct appeals to their customers in favor of the push they hope salespeople and dealers can exert to keep their market shares up.

The most depressed industry of all, farm equipment, reports a 13.5 percent decline in incentive usage this year—its first major drop. Even in 1985, when prospects in the farm market were quite grim, the equipment industry increased spending by 5.5 percent.

The two automotive groups are the only ones in the top 10 user industries to decline in usage this year, and they account for the largest dollar drop by far. Both cut back across the board, but the reductions in consumer promotion were the largest.

Makers of auto parts, tires and accessories, the third largest user, pulled back by 5.3 percent. The "aftermarket" is affected by the high level of new-car sales, reducing the replacement and repair market somewhat. These companies have made reductions in every type of incentive program.

Automobiles and trucks, the fifth largest incentive user last year, has fallen to sixth with a 2.7 percent decline in expenditures. Preoccupied with rebates and loan-rate promotions, the car makers' consumer premium usage, never big, has shrunk to less than half the amount spent last year. Their use of sales incentives has stayed about even, while promotion to dealers show a small decline.

Other industries retreating in incentive usage this year include apparel, down 9.7 percent; housewares and home furnishings, down 8.5 percent; furniture and floor coverings, down 8.0 percent; hardware, down 2.1 percent; banks and savings and loans, down 2.1 percent, and industrial chemicals, down 0.8 percent.

Another laggard is the retail grocery field, which reduced its premium usage by 6.5 percent this year. The largest single influence in this cutback was the dropping of trading stamps in supermarkets. Trading stamps overall dipped by 12.6 percent to $456 million, their lowest point since 1979.

At the other end of the scale, 10 industries increased their incentive usage this year by more than 8 percent—above the rate of increase in 1985. These winners are:

Pharmaceuticals.....+12.9%
Paints & varnishes....+12.6%
Machinery & supplies .....+11.8%
Electric appliances ...+11.0%
Heating & air conditioning ....+10.5%
Petroleum products ...+ 9.8%
Public utilities .....+ 9.8%
Food products .....+ 9.4%
Paper products, packaging .....+ 8.8%
Insurance.....+ 8.1%

Three of these—food products, insurance and petroleum products—are among the 10 largest users of incentives. And another, heating and air conditioning, moves into the 10th position this year, edging out publishers, printers and broadcasters, whose 7.0 percent increase fell a bit short

THE INCENTIVE FIELD AT A GLANCE

(ALL FIGURES IN THOUSANDS—"000" OMITTED)

	1985 EXPENDITURES	% CHANGE	1986 EXPENDITURES	% CHANGE
SALES INCENTIVES	$3,264,679	9.4	$3,484,645	6.7
Merchandise	2,468,214	9.2	2,628,691	6.5
Travel	796,465	10.1	855,954	7.5
DEALER INCENTIVES	$2,228,063	8.9	$2,346,799	5.3
Merchandise	1,456,672	8.3	1,532,474	5.2
Travel	771,391	10.2	814,325	5.6
MERCHANDISE TOTAL	$3,924,886	8.8	$4,161,165	6.0
TRAVEL TOTAL	$1,567,856	10.1	$1,670,279	6.5
TRADE TOTAL	$5,492,742	9.2	$5,831,444	6.2
BUSINESS GIFTS	$1,179,502	5.1	$1,211,722	2.7
CONSUMER PREMIUMS				
Product Promotion:	$3,629,492	8.3	$3,685,931	1.6
• Mail-in Offers	1,827,436	7.5	1,864,186	2.0
• Direct Premiums	1,802,056	9.1	1,821,745	1.1
Retail Promotion:	$2,468,500	6.1	$2,411,000	-2.3
• Trading Stamps	522,000	-5.8	456,000	-12.6
• Other Retail Premiums	1,946,500	9.8	1,955,000	0.4
CONSUMER TOTAL	$6,097,992	7.4	$6,096,931	—
TOTAL USAGE	**$12,770,236**	**7.9**	**$13,140,097**	**2.9**

of keeping up with the leaders. The top 10 industries in this year's survey account for 41 percent of all premium and incentive expenditures. As a group, they boosted their budgets by 5.0 percent.

As for specific promotion types, sales incentives are the best performers this year, with an overall gain of 6.7 percent. Merchandise offerings rose by 6.5 percent and travel, 7.5 percent.

Dealer promotion activity is slightly less vigorous, but still respectable—up 5.3 percent, with merchandise programs expanding 5.2 percent and travel campaigns up 5.6 percent.

Business gifts show 2.7 percent growth, fairly weak in comparison with recent years' movement.

In the manufacturer segment of consumer premiums, mail-in promotions fared best, rising an estimated 2.0 percent over last year. Direct premiums gained only 1.1 percent. Retail promotions declined by 2.3 percent.

In the 1985 FACTS report, it was stated that users strong in consumer promotion believed conditions pointed toward greater focus on consumers in the year ahead—"if consumer resistance rises in the face of economic slowdown."

Consumer resistance, though threatened, has not risen significantly this year, but it may be on the horizon.

Economists have been telling us for months that consumer spending is driving the economy. But lately we hear disturbing sounds: The much quoted surveys of the Conference Board and the University of Michigan show a drop in consumer confidence. And the Commerce Department reports that the personal savings rate has dropped to its lowest point in more than three decades. The spending spree seems unsustainable.

Yet marketers are reacting not by stepping up promotion to the consumer but by redirecting effort to attack the problem through trade channels.

Meanwhile, the surveys have shown that consumer promotion has not failed to perform this year; results are in line with those of previous years.

If the consumer's buying mood does cool, the need will be for more, not less, incentive promotion. Incentives properly applied have shown the power to make a difference in the past. ■

Sales Incentives

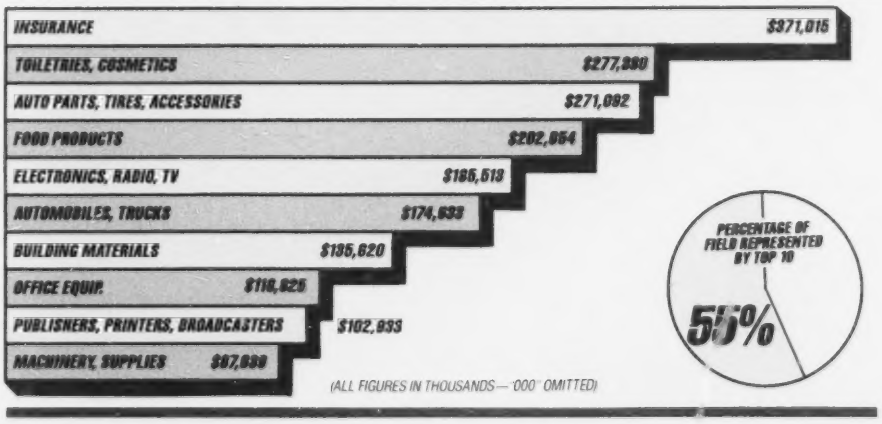
While sales incentives have not set the marketing world afire this year, they have performed well—better than the rest of the motivation field.

Marketers this year have been spending a record-high 26.5 percent of all incentive dollars to motivate their salespeople.

Estimates of sales incentive spending totalled $3.48 billion—a hike of about 6.7 percent over 1985. In 15 industries, budgets for sales-force programs grew at a higher rate than the average, while spending in five industries was lower than the previous year.

Compared with the paltry 2.9 percent growth of the entire field, that increase seems bullish. Still it

TOP SALES INCENTIVE USERS (1986)



FACTS '86

Farm equipment reported the greatest decline in expenditure for sales incentives, while food products had the largest gain.

pales in comparison with last year's 9.4 percent rate and the 19.9 percent drive of 1984.

For the second consecutive year, sales executives' early estimates of their campaign spending had to be scaled down. A mid-year survey showed sales incentive users boosting budgets by 9.1 percent, close to the growth rate of 1985. This optimism did not hold up throughout the year.

Spending for incentive travel expanded a bit more than for merchandise. Travel outlays rose to an estimated $855 million, up 7.5 percent from last year. Merchandise users added 6.5 percent, for a total of $2.63 billion.

Travel also edged out merchandise in dealer incentives, where total spending grew by 5.3 percent. Both sales and dealer motivation were far ahead of consumer premiums, which showed no measurable percentage change.

Five industry groups reported declines in expenditure for sales incentives this year. Farm equipment was the largest loser, down 14 percent.

Although building materials was one of the stronger gainers, two housing-related industries reported substantial cutbacks: housewares and home furnishings, by 10.5 percent, and furniture and floor coverings, by 8 percent. Auto parts, accessories and tires posted a drop of 1 percent in sales-force motivation, while automobiles and tires added only 0.3 percent. Apparel was off by a slim 0.7 percent.

The strongest performers this year are a diverse group. Food products showed the largest advance in promotional efforts to salespeople, up 31.4 percent, and pharmaceuticals upped its spending by 21.8 percent. Building materials increased sales incentive budgets by 20.9 percent, and related industries like electrical and lighting equipment, heating and air conditioning, and paints and varnishes all did rather well.

Office equipment firms invested 12.8 percent more than a year ago, and petroleum products are up 12.2 percent.

Here are the percentage changes reported by the 32 industry groups:

Apparel	**– 0.7%**
Auto parts, accessories & tires	**– 1.0%**
Automobiles & trucks	**+ 0.3%**
Banks and savings & loans	**+ 4.5%**
Beer, ale & soft drinks	**+ 3.4%**
Building materials	**+20.9%**
Detergents & cleansers	**+ 4.6%**
Electric appliances	**+18.1%**
Electrical & lighting equipment	**+ 9.5%**
Electronics, radio & TV	**+ 6.3%**
Farm equipment	**–14.0%**
Feed, fertilizer & farm supplies	**+ 9.5%**
Food products	**+31.4%**
Furniture & floor coverings	**– 8.0%**
Hardware	**+ 1.7%**
Heating & air conditioning	**+ 7.0%**
Housewares & home furnishings	**–10.5%**
Industrial chemicals	**+ 4.4%**
Insurance	**+ 6.8%**
Luggage, jewelry & accessories	**+ 5.6%**
Machinery & supplies	**+10.2%**
Office equipment	**+12.8%**
Paints & varnishes	**+12.4%**
Paper products & packaging	**+10.8%**
Petroleum products	**+12.2%**
Pharmaceuticals	**+21.8%**
Public utilities	**+11.2%**
Publishers, printers, broadcasters	**+ 7.0%**
Sporting goods & toys	**+ 4.0%**
Toiletries & cosmetics	**+ 4.6%**
Distributors & wholesalers	**+ 5.1%**
Miscellaneous industries	**+ 8.7%**

Of the top 10 industries using sales incentives, only auto parts, tires and accessories decreased spending. The automotive group slipped from second to third in rank behind toiletries and cosmetics, which increased spending by 4.6 percent.

Food products, with the largest spending estimates of the year, jumped from sixth to fourth on the list, leaping over electronics, radio and television, and automobiles and trucks. Insurance remained on top, with a 6.8 percent increase in spending.

Despite the less-than-dramatic increase in overall activity, this year's sales incentive campaigns performed well. In sales results, the principal measure of success, they reached an average increase of 20.9 percent—the highest report since 1980.

Users spent a bit more to achieve their results this year. The average cost went to 11 percent of incremental sales and the median to 10 percent—up from a very low 8 percent average and 5 percent median in 1985. The more common median level in recent years has been 7 percent, while the average ranged from 12 percent to 16 percent in six of the last eight years.

Participation of eligible salespeople held at 40 percent, the same rate reported last year. But the unit cost of their awards rose somewhat—from a $100 median to $125 this year for merchandise prizes. Travel incentives held at a $1,500 median. ■

MORE FACTS ON PAGE 30

FACTS '86

Dealer Incentives

Aside from the foot-dragging of a few industries, the total picture of dealer incentive promotion this year looks healthy.

Declining expenditures by a handful of major users this year made growth in dealer incentive promotion appear fairly weak, although most of American business increased its spending in this area significantly.

Eleven industries chalked up double-digit expansion in dealer incentive spending. Only six industries cut back on dealer incentives, but three of them were among the biggest spenders in the 1985 tally, which helped hold the total increase in expenditures to an estimated 5.3 percent.

The 1986 totals come to $1.53 billion spent for merchandise awards to retailers, wholesalers and distributors, a rise of 5.2 percent above last year's rate, and $814 million in travel outlays, an increase of 5.6 percent. Overall the growth rate was 1.4 percentage points below that of sales incentives, but well above the flat consumer segment of the field.

Makers of automobiles and trucks, the second-largest user's group, turned most of their promotional effort this year to rebates and/or finance-rate appeals to the car buyer. This resulted in a reduction of 53 percent in their spending in the relatively small category of consumer premiums and 3 percent off of their dealer incentive expenditures.

The same price slashing by auto manufacturers that managed to keep new car sales high had an effect on auto parts, tires and accessories firms, the largest industry in dealer promotion. Their dealer promotion spending dipped an estimated 4.6 percent.

The struggling farm equipment industry dropped from fourth to fifth largest user of dealer incentives as its budget was chopped by 11.6 percent this year.

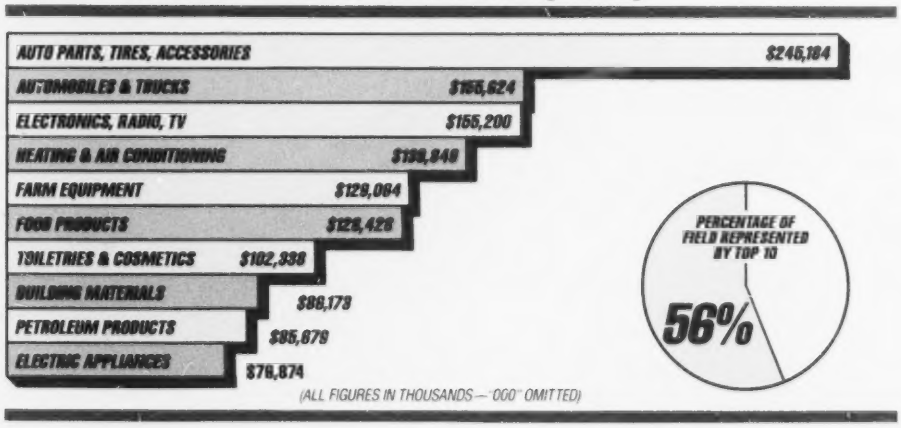
The other industries reporting a drop in dealer incentive expenditures were furniture and floor coverings, off 4.8 percent; housewares and home furnishings, down 13.8 percent, and banks and savings and loans, which reduced this insignificant part of their spending by 18.2 percent.

On the plus side, in contrast with the three top-10 industries that reduced promotion, five of the remaining seven showed major advances, all above 9 percent increases. Most vigorous among them was food products; following in order were building materials, heating and air conditioning, petroleum products and electric appliances.

This is how the estimates come out for the industry groups tabulated:

Apparel	**+ 0.5%**
Auto parts, tires, accessories	**– 4.6%**
Automobiles & trucks	**– 3.0%**
Banks and savings & loans	**–18.2%**
Beer, ale & soft drinks	**+ 8.1%**
Building materials	**+17.3%**
Detergents & cleansers	**+ 9.5%**
Electric appliances	**+ 9.2%**
Electrical & lighting equipment	**+ 9.7%**
Electronics, radio & TV	**+ 3.5%**
Farm equipment	**–11.6%**
Feed, fertilizer, farm supplies	**+ 8.1%**
Food products	**+23.8%**
Furniture & floor coverings	**– 4.8%**
Hardware	**+ 1.9%**

TOP 10 DEALER INCENTIVE USERS (1986)



(ALL FIGURES IN THOUSANDS—"000" OMITTED)

FACTS '86

The food products industry reported the largest spending increase in the top 10: 23.8 percent.

Heating & air conditioning	+11.4%
Housewares & home furnishings	–13.8%
Industrial chemicals	+ 3.5%
Insurance	+13.9%
Luggage, jewelry & accessories	+ 5.9%
Machinery & supplies	+33.4%
Office equipment	+15.1%
Paints & varnishes	+15.2%
Paper products & packaging	+11.5%
Petroleum products	+10.1%
Pharmaceuticals	+16.4%
Public utilities	+ 9.4%
Publishers, printers, broadcasters	+14.2%
Sporting goods & toys	+ 6.7%
Toiletries & cosmetics	+ 6.0%
Distributors & wholesalers	+ 5.7%
Miscellaneous industries	+ 5.2%

The average sales gain reported last year during dealer incentive programs was 18.7 percent. This year's average has not changed significantly: 18.4 percent. Both years are stronger in performance than the results in any year of the 1980s.

In dealer qualifications for the incentives offered, the overall pic-

The average reported sales gain during dealer incentive programs has been better than 18 percent for the past two years.

ture is comfortably above the 50 percent some marketers consider ideal: 57 percent of eligibles earned merchandise awards and 49 percent made trips. Each average is two points above the 1985 figures reported by users.

The cost of merchandise awards remained at a median of $50. Travel costs, however, increased from a median of $1,500 in 1985 to this year's $1,700.

The bottom line—the cost as a percentage of incremental sales during a campaign—remained level at a median of 10 percent. ■

MORE FACTS ON PAGE 34

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FACTS '86

Consumer Premiums

In an economy where consumer spending is the principal mover, promotion to that buying consumer has tended to dry up nonetheless.

Vigorous consumer spending may have helped keep the national economy from going flat this year, but it did not spur any similar vigor in spending on consumer premium promotions. In fact, the year's estimates show no measurable percentage change from 1985, with a decline of about $1 million in spending.

Product promotion by manufacturers and distributors did record a minor dollar advance: up 1.6 percent to $3.69 billion. Within that total, mail-in offers to consumers rose by 2 percent and other direct premiums by 1.1 percent.

That little gain was erased by red ink on the retail side, with a decline of 2.3 percent to an estimated $2.4 billion in total spending. Retail grocers' promotion budgets dropped by 6.5 percent, mostly in the trading stamp column, while other retailers reported a 2 percent hike.

The two automotive industry categories figured strongly in depressing activity in consumer promotion this year, as they did with every type of incentive. While automobiles and trucks were a major beneficiary of consumer spending, the emphasis on price selling squeezed premiums out of their budgets to the point of a 53 percent reduction in expenditures. Makers of auto parts, tires and accessories did not cut so deeply, but their consumer promotion spending dropped by 15.5 percent from 1985, the greatest decline among the Top Ten user industries.

Only three others among the leaders showed a reduction in consumer promotion—banks and savings and loans, down 5.7 percent; housewares and home furnishings, down 5.2 percent; and office equipment, with a 6.2 percent cutback that pushed it out of the Top Ten group. Insurance, with an 11.0 percent rise, replaced it.

Despite these declines, activity for the Top Ten industries was relatively strong, and their share of the total consumer category moved up from 58 percent to 59 percent.

The largest user of consumer premiums, food products, posted the largest gain in dollars spent for consumer premiums, about $47 million ahead of last year: a 4.5 percent increase for this major promoter. Second-ranked toiletries and cosmetics added about 5.2 percent more, up $17 million.

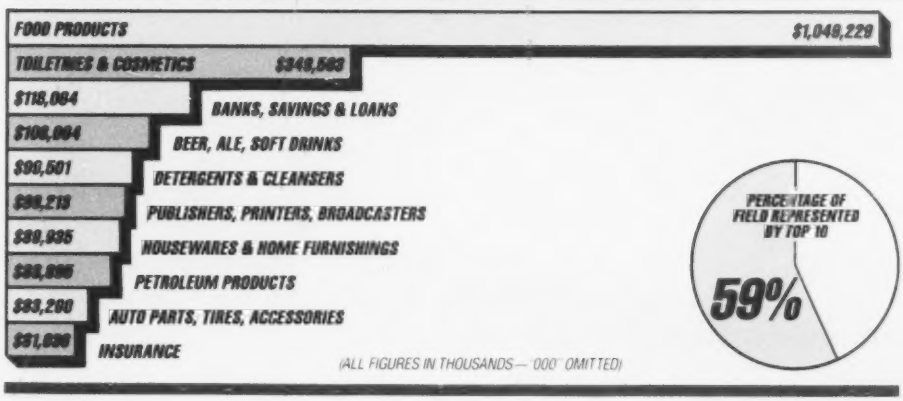
The building materials industry, though well below the Top Ten level, made a $22-million dent in consumer premium spending with its 39.8 percent retreat in expenditures.

Five industry groups report high levels of consumer promotion activity this year, with expansion well above the average. They are electric appliances, up 13.4 percent; heating and air conditioning, 13.3 percent; insurance, 11.0 percent; pharmaceuticals, 11.0 percent; and paints and varnishes with an increase of 9.9 percent.

In all, 13 of the tabulated industries showed declining expenditures and 19 groups are on the plus side. Here is the complete picture:

Apparel ..... **–23.8%**
Auto parts, tires & accessories ..... **–15.5%**
Automobiles & trucks ..... **–53.0%**

TOP 10 CONSUMER PREMIUM USERS (1986)



FACTS '86

Banks and savings & loans	– 5.7%
Beer, ale & soft drinks	+ 3.4%
Building materials	–39.8%
Detergents & cleansers	+ 4.0%
Electric appliances	+13.4%
Electrical & lighting equipment	–12.3%
Electronics, radio & TV	+ 3.2%
Farm equipment	–28.8%
Feed, fertilizer, farm supplies	– 2.2%
Food products	+ 4.5%
Furniture & floor coverings	–23.4%
Hardware	– 9.6%
Heating & air conditioning	+13.3%
Housewares & home furnishings	– 5.2%
Industrial chemicals	–12.4%
Insurance	+11.0%
Luggage, jewelry, accessories	+ 7.5%
Machinery & supplies	+ 8.0%
Office equipment	– 6.2%
Paints & varnishes	+ 9.9%
Paper products & packaging	+ 6.9%
Petroleum products	+ 7.2%
Pharmaceuticals	+11.0%
Public utilities	+ 6.9%
Publishers, printers broadcasters	+ 7.2%
Sporting goods & toys	+ 6.2%
Toiletries & cosmetics	+ 5.2%
Distributors & wholesalers	+ 0.9%
Miscellaneous industries	+ 3.3%

In most industries, there was little distinction between mail-ins and direct premiums in the spending trends, although the mail-in types ran a bit ahead in total growth—2.0 percent for mail-ins, compared with a 1.1 increase for direct premiums. In the dominant food industry, however, the balance swung slightly in the other direction with additions to direct premium budgets about $5 million ahead of those for mail-ins. Another exception was banking, where a 22.6 percent cut in mail-ins compared with only a 1.2 percent drop in other promotions.

Retail incentive activity fell off even more than product promotion during the year, especially in the grocery industry. Supermarkets, convenience stores and other food retailers recorded 6.5 percent less in premium spending than they had in 1985—largely the result of significant drops in trading stamp usage. The grocers are by far the biggest users of stamps, and the stamp volume dipped by 12.6 percent, to a total estimate of $456 million this year. Other foodstore efforts, notably continuity promotions, were able to take up only about half of the slack.

This year's incentive trend has been an anomaly at best. In an economy where consumer spending is clearly the principal mover, promotion to that buying consumer has nevertheless tended to dry up in many places. And it was most notable, of course, in the automotive field—where the spending had its greatest impact and incentive activity dropped most. ■

Incentive Travel

The largest percentage gains in incentive travel spending came in small user fields.

The growth rate of incentive travel spending declined for the second straight year, despite a respectable $100 million hike in expenditures this year.

Marketers' travel expenditures posted a 6.5 percent gain to a total budget of $1.67 billion for 1986. Incentive travel spending increased by 10.1 percent in 1985 and 17.5 percent in 1984.

A drop from 1985's record high figure for sales increases during travel programs may be one reason for the slowdown in incentive travel spending. Users reported sales increases averaging 17.8 percent this year, down from last year's 21 percent figure and about equal to the 1984 level. The lower sales increase figure is something of a surprise in light of a 5 percent jump in response of eligible salespersons and dealers to travel offerings—from 31 percent to 36 percent this year.

When users analyzed their travel costs in relation to the incremental sales gained during the programs, they came out this year with a slightly bigger bill—a median 8 percent of incremental sales. Last year the median had dropped to 6 percent, after 3 years at the 7 percent level. In unit trip costs per person, this year's report stayed even with '85 at a $1,200 median.

At mid-year when IM readers recorded their experiences, the year-to-year trend pointed to an expenditure increase of only 5.5 percent, one point less than the final tally.

Sales incentive travel has grown this year at the rate of 7.5 percent, and the new estimate stands at $855 million. Last year sales-force programs moved ahead of dealer travel for the first time, with 51 percent of total spending. The same percentage share holds for this year. Promotion to dealers is at $814 million, an increase of 5.6 percent.

The automotive industries, which have exerted downward pressure on expenditures in other segments of the incentive field, have done so in travel as well, but

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Users paid a slightly higher tab—8 percent of incremental sales.

to a lesser extent. Automobiles and trucks show a drop of 0.4 percent in travel expenditures. They cut 6.3 percent out of their relatively small sales incentive travel budgets, but added 1.1 percent to the larger dealer share. Makers of auto parts, tires and accessories reduced travel spending by 0.9 percent.

One other among the Top Ten travel-using industries reported a decline. Farm equipment was down 10.2 percent, which dropped the industry from fifth place to sixth among the big users, displaced by heating & air conditioning, which spent 9.5 percent more than last year for award trips.

Seven of the Top Ten increased their travel programs, all but one above the 6.5 percent average. They ranged from building materials, which boosted its travel expenditures by 20.4 percent, down to toiletries and cosmetics at 6.6 percent. The one laggard in the group was electronics, radio and TV, with only a 3.3 percent advance.

The largest percentage gains were in small user fields: petroleum products (62.6 percent); publishers, printers and broadcasters (34.9 percent), and food products (22.9 percent).

Besides the automotive and farm industries, others shrinking their travel expenditures included: banks and savings and loans; furniture and floor coverings; hardware, and housewares and home furnishings, all down between 4.7 percent and 15.0 percent.

Below are the changes in incentive travel spending for the 32 industry groups this year:

Apparel .....+ 2.2%
Auto parts, tires & accessories .....– 0.9%
Automobiles & trucks .....– 0.4%
Banks and saving & loans.....– 5.3%
Beer, ale & soft drinks .....+ 6.5%
Building materials....+20.4%
Detergents & cleansers .....+ 6.0%
Electric appliances ...+ 7.9%
Electrical & lighting equipment .....+10.8%
Electronics, radio & TV.....+ 3.3%
Farm equipment .....–10.2%
Feed, fertilizer, farm supplies .....+ 9.5%
Food products .....+22.9%
Furniture & floor coverings .....– 7.0%
Hardware .....– 4.7%
Heating & air conditioning ....+ 9.5%
Housewares & home furnishings...–15.0%
Industrial chemicals.....+ 4.4%
Insurance .....+ 8.2%
Luggage, jewelry, accessories .....+8.5%
Machinery & supplies .....+14.6%
Office equipment.....+12.7%
Paints & varnishes....+11.2%
Paper products & packaging .....+ 9.1%
Petroleum products...+62.6%
Pharmaceuticals.....+19.9%
Public utilities .....+ 9.8%
Publishers, printers, broadcasters .....+34.9%
Sporting goods & toys .....+ 5.8%
Toiletries & cosmetics.....+ 6.6%
Distributors & wholesalers .....+ 7.5%
Miscellaneous industries.....+7.1%

In all, 20 of these industries have increased their incentive travel expenditures this year by more than the 6.5 percent overall average, and only 12 are below that point. ■

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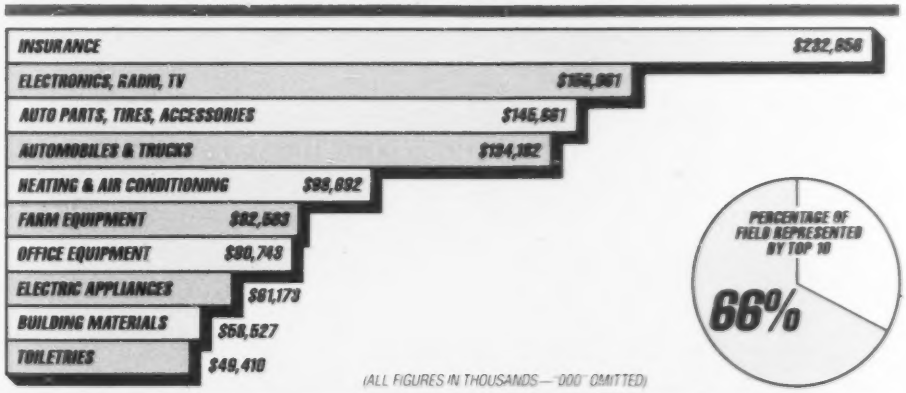
TOP 10 INCENTIVE TRAVEL USERS (1986)



(ALL FIGURES IN THOUSANDS—"000" OMITTED)

FACTS '86

Business Gifts

After early survey results pointing to double-digit gains, the final tally shows only a small gain for business gifts.

When **Incentive Marketing** completed its preliminary survey of business gift buying practices earlier this year, it looked as if the field would wrap up impressive gains for the year. Now that all the numbers are in, however, the business gifts category shows a growth rate of only 2.7 percent.

The leading business gift user category—auto parts, tires and accessories—dropped its spending by nearly 9 percent this year to $94.8 million. Toiletries and cosmetics gained a notch to the second position based on its 5.1 percent gain and on a 5.7 percent drop in spending by the automobiles and trucks category, which formerly held the number-two slot.

Of the other seven members of the top 10, all showed increases—ranging from 2.9 percent for publishers, printers and broadcasters to 10.9 percent for food products.

The following table shows estimates of spending levels, in thousands.

Auto parts, tires & Accessories	**$94,629**
Toiletries & cosmetics	**88,352**
Automobiles & trucks	**87,139**
Insurance	**59,858**
Banks and savings & loans	**48,819**
Electric appliances	**46,333**
Electronics, radio & TV	**44,503**
Food products	**41,250**
Building materials	**38,217**
Publishers, printers, broadcasters	**33,102**

The biggest trend indicated in the 1986 survey involves the time of year during which companies give gifts. Traditionally givers in the holiday season, companies this year reported a far greater inclination to give for any number of occasions, including plant visits, seminars, trade shows, employee meetings, employee anniversaries, sales meetings and key sales calls throughout the year. ■

COMING IN FEBRUARY: MERCHANDISE BUYERS' DIRECTORY

INDUSTRY-BY-INDUSTRY ANALYSIS

	EXPENDITURES 1986		EXPENDITURES 1985	
MISCELLANEOUS INDUSTRIES	***$1,509,836,000***	***+5.3%***	***$1,434,176,000***	
TRADE INCENTIVES				
Sales Force Merchandise	$335,167,000	+ 8.7%	$308,417,000	+ 7.7%
Travel	$ 88,686,000	+ 8.4%	$ 81,824,000	+ 9.1%
Dealer Merchandise	$231,006,000	+ 5.0%	$220,110,000	+ 15.8%
Travel	$ 98,381,000	+ 5.9%	$ 92,880,000	+ 10.3%
BUSINESS GIFTS	$197,963,000	+ 4.0%	$190,418,000	+ 4.3%
CONSUMER PREMIUMS				
Mail-In Promotions	$270,499,000	+ 5.1%	$257,408,000	+ 7.9%
Other Premiums	$288,134,000	+ 1.8%	$283,119,000	+ 8.0%
DISTRIBUTORS & WHOLESALERS	***$1,219,972,000***	***+3.2%***	***$1,182,208,000***	
TRADE INCENTIVES				
Sales Force Merchandise	$366,112,000	+ 5.0%	$348,579,000	+ 12.8%
Travel	$ 26,800,000	+ 6.7%	$ 25,120,000	+ 10.0%
Dealer Merchandise	$131,545,000	+ 5.3%	$124,918,000	+ 6.0%
Travel	$ 19,823,000	+ 8.7%	$ 18,244,000	+ 11.0%
BUSINESS GIFTS	$209,077,000	+ 3.0%	$203,037,000	+ 4.7%
CONSUMER PREMIUMS				
Mail-In Promotions	$271,789,000	+ 0.7%	$269,881,000	+ 8.8%
Other Premiums	$194,826,000	+ 1.2%	$192,429,000	+ 10.7%

	EXPENDITURES 1986		EXPENDITURES 1985	
APPAREL	**$53,001,000**	**-9.7%**	**$58,686,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 12,040,000	- 1.4%	$ 12,211,000	+ 10.7%
Travel	$ 3,107,000	+ 2.0%	$ 3,045,000	+ 4.2%
Dealer Merchandise	$ 8,115,000	+ 0.4%	$ 8,084,000	+ 9.5%
Travel	$ 322,000	+ 3.9%	$ 310,000	+137.9%
BUSINESS GIFTS	$ 10,173,000	+ 4.0%	$ 9,781,000	+ 6.5%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 8,234,000	-25.1%	$ 10,988,000	+ 6.5%
Other Premiums	$ 11,010,000	-22.9%	$ 14,267,000	+ 9.7%
AUTO PARTS, TIRES, ACCESSORIES	**$694,165,000**	**-5.3%**	**$733,148,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$188,211,000	- 1.2%	$190,522,000	+ 8.1%
Travel	$ 82,881,000	- 0.6%	$ 83,396,000	+ 8.1%
Dealer Merchandise	$182,204,000	- 5.7%	$193,211,000	+ 7.2%
Travel	$ 62,980,000	- 1.3%	$ 63,810,000	+ 9.4%
BUSINESS GIFTS	$ 94,629,000	- 8.7%	$103,664,000	+ 5.0%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 60,456,000	-13.5%	$ 69,928,000	+ 9.2%
Other Premiums	$ 22,804,000	-20.3%	$ 28,617,000	+ 8.3%
AUTOMOBILES & TRUCKS	**$399,961,000**	**-2.7%**	**$411,165,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$149,023,000	+ 1.5%	$146,808,000	+ 8.7%
Travel	$ 25,610,000	- 6.3%	$ 27,320,000	+ 10.1%
Dealer Merchandise	$ 47,052,000	-11.2%	$ 53,006,000	+ 9.9%
Travel	$108,572,000	+ 1.1%	$107,357,000	+ 10.3%
BUSINESS GIFTS	$ 67,139,000	- 5.7%	$ 71,216,000	+ 5.2%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 1,272,000	-50.7%	$ 2,582,000	- 6.3%
Other Premiums	$ 1,293,000	-55.0%	$ 2,876,000	+ 2.6%
BANKS, SAVINGS & LOANS	**$204,168,000**	**-2.1%**	**$208,510,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 34,617,000	+ 5.3%	$ 32,880,000	+ 5.0%
Travel	$ 2,349,000	- 5.7%	$ 2,491,000	+ 5.6%
Dealer Merchandise	$ 2,120,000	-20.5%	$ 2,667,000	+ 6.3%
Travel	$ 399,000	- 3.2%	$ 412,000	+ 36.9%
BUSINESS GIFTS	$ 46,619,000	+ 3.8%	$ 44,907,000	+ 8.7%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 20,122,000	-22.6%	$ 26,010,000	- 6.0%
Other Premiums	$ 97,942,000	- 1.2%	$ 99,143,000	+ 5.9%
BEER, ALE, SOFT DRINKS	**$204,036,000**	**+4.3%**	**$195,585,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 45,136,000	+ 2.8%	$ 43,920,000	+ 9.2%
Travel	$ 11,980,000	+ 5.8%	$ 11,319,000	+ 10.9%
Dealer Merchandise	$ 22,778,000	+ 8.0%	$ 21,074,000	+ 10.3%
Travel	$ 5,269,000	+ 7.9%	$ 4,882,000	+ 11.7%
BUSINESS GIFTS	$ 10,809,000	+ 8.9%	$ 9,925,000	+ 10.8%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 63,112,000	+ 3.8%	$ 60,814,000	+ 8.4%
Other Premiums	$ 44,952,000	+ 3.0%	$ 43,651,000	+ 10.8%

	EXPENDITURES 1986		EXPENDITURES 1985	
BUILDING MATERIALS	**$293,210,000**	**+6.1%**	**$276,248,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$103,613,000	+20.3%	$ 86,120,000	+ 9.3%
Travel	$ 32,007,000	+22.7%	$ 26,088,000	+ 20.7%
Dealer Merchandise	$ 59,653,000	+17.2%	$ 50,918,000	+ 6.9%
Travel	$ 26,520,000	+17.7%	$ 22,533,000	+ 21.6%
BUSINESS GIFTS	$ 38,217,000	+ 7.9%	$ 35,422,000	+ 6.4%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 12,110,000	-42.5%	$ 21,046,000	+ 8.2%
Other Premiums	$ 21,090,000	-38.2%	$ 34,121,000	+179.4%
DETERGENTS & CLEANSERS	**$203,026,000**	**+5.2%**	**$193,000,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 63,530,000	+ 4.6%	$ 60,717,000	+ 6.9%
Travel	$ 2,871,000	+ 4.4%	$ 2,750,000	+ 8.2%
Dealer Merchandise	$ 28,625,000	+ 9.4%	$ 26,173,000	+ 8.9%
Travel	$ 577,000	+14.5%	$ 504,000	+ 10.3%
BUSINESS GIFTS	$ 7,922,000	+10.2%	$ 7,191,000	+ 4.4%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 63,592,000	+ 3.2%	$ 61,640,000	+ 9.8%
Other Premiums	$ 35,909,000	+ 5.5%	$ 34,025,000	+ 9.3%
ELECTRIC APPLIANCES	**$200,828,000**	**+11.0%**	**$180,953,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 30,063,000	+19.8%	$ 25,088,000	+ 5.3%
Travel	$ 13,269,000	+14.2%	$ 11,617,000	+ 10.6%
Dealer Merchandise	$ 28,970,000	+14.4%	$ 25,321,000	+ 7.6%
Travel	$ 47,904,000	+ 6.3%	$ 45,060,000	+ 10.2%
BUSINESS GIFTS	$ 46,333,000	+ 6.2%	$ 43,635,000	+ 5.6%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 18,420,000	+ 7.7%	$ 17,108,000	+ 7.6%
Other Premiums	$ 15,869,000	+20.9%	$ 13,124,000	+ 8.7%
ELECTRICAL & LIGHTING EQUIP.	**$116,550,000**	**+6.5%**	**$109,456,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 19,163,000	+11.2%	$ 17,234,000	+ 7.0%
Travel	$ 8,927,000	+ 6.1%	$ 8,411,000	+ 6.1%
Dealer Merchandise	$ 35,774,000	+ 8.1%	$ 33,081,000	+ 7.1%
Travel	$ 12,813,000	+14.3%	$ 11,214,000	+ 11.0%
BUSINESS GIFTS	$ 27,233,000	+ 8.5%	$ 25,111,000	+ 4.2%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 5,611,000	-12.7%	$ 6,425,000	+ 6.8%
Other Premiums	$ 7,029,000	-11.9%	$ 7,980,000	+ 8.1%
ELECTRONICS, RADIO, TV	**$427,853,000**	**+4.9%**	**$407,861,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$136,402,000	+ 6.0%	$128,630,000	+ 10.8%
Travel	$ 49,111,000	+ 6.8%	$ 45,964,000	+ 10.0%
Dealer Merchandise	$ 47,350,000	+ 7.9%	$ 43,888,000	+ 9.5%
Travel	$107,850,000	+ 1.7%	$105,998,000	+ 10.7%
BUSINESS GIFTS	$ 44,503,000	+ 5.8%	$ 42,080,000	+ 4.8%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 16,633,000	+ 4.2%	$ 15,967,000	+ 8.8%
Other Premiums	$ 26,004,000	+ 2.6%	$ 25,334,000	+ 7.9%

	EXPENDITURES 1986		EXPENDITURES 1985	
FARM EQUIPMENT	**$199,321,000**	**-13.5%**	**$230,492,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 24,320,000	-16.0%	$ 28,944,000	+ 3.3%
Travel	$ 24,649,000	-12.0%	$ 28,006,000	+ 6.0%
Dealer Merchandise	$ 71,210,000	-13.3%	$ 82,125,000	+ 5.2%
Travel	$ 57,854,000	- 9.4%	$ 63,819,000	+ 6.2%
BUSINESS GIFTS	$ 13,027,000	-18.6%	$ 15,994,000	+ 7.2%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 4,050,000	-26.6%	$ 5,520,000	+ 6.0%
Other Premiums	$ 4,211,000	-30.8%	$ 6,084,000	+ 6.3%
FEED, FERTILIZER, SUPPLIES	**$208,837,000**	**+4.4%**	**$200,107,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 34,353,000	+ 8.4%	$ 31,694,000	+ 6.7%
Travel	$ 14,819,000	+12.1%	$ 13,217,000	+ 4.8%
Dealer Merchandise	$ 52,046,000	+ 8.2%	$ 48,116,000	+ 5.9%
Travel	$ 22,780,000	+ 7.8%	$ 21,123,000	+ 8.9%
BUSINESS GIFTS	$ 14,886,000	+ 3.2%	$ 14,430,000	+ 4.8%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 16,934,000	- 2.8%	$ 17,418,000	+ 6.8%
Other Premiums	$ 53,019,000	- 2.0%	$ 54,109,000	+ 6.1%
FOOD PRODUCTS	**$1,421,563,000**	**+9.4%**	**$1,298,954,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$172,167,000	+32.2%	$130,211,000	+ 7.3%
Travel	$ 30,489,000	+26.8%	$ 24,044,000	+ 9.9%
Dealer Merchandise	$119,522,000	+24.8%	$ 95,756,000	+ 7.9%
Travel	$ 8,906,000	+11.1%	$ 8,015,000	+ 10.0%
BUSINESS GIFTS	$ 41,250,000	+10.9%	$ 37,179,000	+ 4.5%
CONSUMER PREMIUMS				
Mail-In Promotions	$571,537,000	+ 3.7%	$551,127,000	+ 5.8%
Other Premiums	$477,692,000	+ 5.5%	$452,622,000	+ 8.8%
FURNITURE & FLOOR COVERINGS	**$80,957,000**	**-8.0%**	**$88,010,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 13,158,000	- 6.8%	$ 14,121,000	+ 5.8%
Travel	$ 3,693,000	-11.7%	$ 4,182,000	+ 7.1%
Dealer Merchandise	$ 31,942,000	- 4.1%	$ 33,321,000	+ 7.1%
Travel	$ 16,805,000	- 5.9%	$ 17,857,000	+ 9.4%
BUSINESS GIFTS	$ 6,438,000	- 6.5%	$ 6,886,000	+ 3.8%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 5,218,000	-25.6%	$ 7,009,000	+ 7.1%
Other Premiums	$ 3,703,000	-20.1%	$ 4,634,000	+ 8.5%
HARDWARE	**$32,923,000**	**-2.1%**	**$33,626,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 8,705,000	+ 0.8%	$ 8,632,000	+ 6.5%
Travel	$ 2,341,000	+ 5.1%	$ 2,227,000	+ 5.4%
Dealer Merchandise	$ 9,247,000	+ 1.7%	$ 9,093,000	+ 5.6%
Travel	$ 892,000	+ 3.6%	$ 861,000	+ 14.0%
BUSINESS GIFTS	$ 2,336,000	- 3.1%	$ 2,411,000	+ 5.1%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 5,213,000	- 8.4%	$ 5,692,000	+ 7.8%
Other Premiums	$ 4,189,000	-11.1%	$ 4,710,000	+ 7.3%

	EXPENDITURES 1986		EXPENDITURES 1985	
HEATING & AIR CONDITIONING	**$259,679,000**	**+10.5%**	**$234,943,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 34,310,000	+ 7.5%	$ 31,924,000	+ 9.6%
Travel	$ 46,016,000	+ 6.7%	$ 43,112,000	+ 11.1%
Dealer Merchandise	$ 87,173,000	+11.1%	$ 78,490,000	+ 10.3%
Travel	$ 52,676,000	+12.0%	$ 47,014,000	+ 10.8%
BUSINESS GIFTS	$ 21,061,000	+16.2%	$ 18,120,000	+ 5.3%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 6,210,000	+ 5.9%	$ 5,865,000	+ 9.0%
Other Premiums	$ 12,233,000	+17.4%	$ 10,418,000	+ 8.5%
HOUSEWARES, HOME FURNISHINGS	**$185,838,000**	**-8.5%**	**$203,144,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 43,846,000	- 8.9%	$ 48,132,000	+ 2.8%
Travel	$ 7,525,000	-18.9%	$ 9,283,000	+ 7.9%
Dealer Merchandise	$ 21,263,000	-14.9%	$ 24,995,000	+ 6.4%
Travel	$ 6,140,000	- 9.5%	$ 6,788,000	+ 9.8%
BUSINESS GIFTS	$ 17,129,000	-10.4%	$ 19,121,000	+ 4.1%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 5,825,000	- 6.2%	$ 6,211,000	+ 8.1%
Other Premiums	$ 84,110,000	- 5.1%	$ 88,614,000	- 2.0%
INDUSTRIAL CHEMICALS	**$97,782,000**	**-0.8%**	**$98,533,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 16,565,000	+ 3.9%	$ 15,940,000	+ 9.9%
Travel	$ 6,473,000	+ 5.8%	$ 6,121,000	+ 9.1%
Dealer Merchandise	$ 33,021,000	+ 3.6%	$ 31,887,000	+ 9.5%
Travel	$ 7,206,000	+ 3.2%	$ 6,984,000	+ 5.3%
BUSINESS GIFTS	$ 17,443,000	- 3.7%	$ 18,120,000	+ 5.2%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 3,955,000	-10.0%	$ 4,393,000	+ 5.7%
Other Premiums	$ 13,119,000	-13.1%	$ 15,088,000	+ 9.2%
INSURANCE	**$584,273,000**	**+8.1%**	**$540,394,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$198,084,000	+ 7.5%	$184,271,000	+ 7.6%
Travel	$172,931,000	+ 6.1%	$162,981,000	+ 11.5%
Dealer Merchandise	$ 12,841,000	+ 9.9%	$ 11,689,000	+ 8.1%
Travel	$ 59,725,000	+14.8%	$ 52,011,000	+ 10.4%
BUSINESS GIFTS	$ 59,656,000	+ 5.6%	$ 56,446,000	+ 4.6%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 72,322,000	+11.1%	$ 65,108,000	+ 7.2%
Other Premiums	$ 8,714,000	+10.5%	$ 7,888,000	+ 9.4%
LUGGAGE, JEWELRY, ACCESSORIES	**$26,194,000**	**+6.8%**	**$24,532,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 8,203,000	+ 4.6%	$ 7,840,000	+ 7.4%
Travel	$ 2,817,000	+ 8.7%	$ 2,592,000	+ 10.7%
Dealer Merchandise	$ 4,788,000	+ 5.6%	$ 4,533,000	+ 9.4%
Travel	$ 672,000	+ 7.5%	$ 625,000	+ 11.2%
BUSINESS GIFTS	$ 1,423,000	+15.9%	$ 1,228,000	+ 7.0%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 5,580,000	+ 6.9%	$ 5,220,000	+ 9.0%
Other Premiums	$ 2,711,000	+ 8.7%	$ 2,494,000	+ 6.4%

	EXPENDITURES 1986		EXPENDITURES 1985	
MACHINERY & SUPPLIES	**$138,859,000**	**+11.8%**	**$124,189,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 60,626,000	+12.7%	$ 53,817,000	+ 11.4%
Travel	$ 27,013,000	+ 5.0%	$ 25,734,000	+ 10.8%
Dealer Merchandise	$ 7,530,000	+15.5%	$ 6,519,000	+ 7.9%
Travel	$ 10,536,000	+50.0%	$ 7,024,000	+ 3.3%
BUSINESS GIFTS	$ 21,407,000	+ 5.9%	$ 20,215,000	+ 5.8%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 6,618,000	+ 6.9%	$ 6,191,000	+ 8.2%
Other Premiums	$ 5,129,000	+ 9.4%	$ 4,689,000	+ 11.1%
OFFICE EQUIPMENT	**$265,418,000**	**+6.5%**	**$249,129,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 55,475,000	+13.0%	$ 49,108,000	+ 9.1%
Travel	$ 63,350,000	+12.7%	$ 56,216,000	+ 10.2%
Dealer Merchandise	$ 28,173,000	+16.4%	$ 24,196,000	+ 8.9%
Travel	$ 17,393,000	+12.9%	$ 15,408,000	+ 10.5%
BUSINESS GIFTS	$ 28,511,000	+ 6.1%	$ 26,883,000	+ 6.5%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 10,125,000	- 8.0%	$ 11,003,000	+ 7.8%
Other Premiums	$ 62,391,000	- 5.9%	$ 66,314,000	+ 8.3%
PAINTS & VARNISHES	**$60,972,000**	**+12.6%**	**$54,161,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 14,926,000	+12.9%	$ 13,222,000	+ 9.1%
Travel	$ 4,670,000	+11.0%	$ 4,208,000	+ 10.4%
Dealer Merchandise	$ 10,832,000	+19.1%	$ 9,096,000	+ 9.2%
Travel	$ 10,047,000	+11.4%	$ 9,021,000	+ 9.8%
BUSINESS GIFTS	$ 2,355,000	+11.5%	$ 2,112,000	+ 1.4%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 12,633,000	+10.7%	$ 11,412,000	+ 5.6%
Other Premiums	$ 5,509,000	+ 8.2%	$ 5,090,000	+ 8.7%
PAPER PRODUCTS & PACKAGING	**$80,871,000**	**+8.8%**	**$74,306,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 10,683,000	+12.6%	$ 9,485,000	+ 9.7%
Travel	$ 10,122,000	+ 9.0%	$ 9,290,000	+ 10.3%
Dealer Merchandise	$ 10,804,000	+12.4%	$ 9,608,000	+ 7.9%
Travel	$ 4,816,000	+ 9.5%	$ 4,398,000	+ 10.5%
BUSINESS GIFTS	$ 11,678,000	+ 7.3%	$ 10,884,000	+ 5.4%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 18,232,000	+ 7.2%	$ 17,001,000	+ 7.5%
Other Premiums	$ 14,536,000	+ 6.6%	$ 13,640,000	+ 7.2%
PETROLEUM PRODUCTS	**$261,618,000**	**+9.8%**	**$238,304,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 57,251,000	+ 3.3%	$ 55,412,000	+ 8.4%
Travel	$ 14,827,000	+67.7%	$ 8,841,000	+ 6.8%
Dealer Merchandise	$ 71,696,000	+ 4.0%	$ 68,907,000	+ 8.5%
Travel	$ 13,983,000	+57.5%	$ 8,877,000	+ 7.9%
BUSINESS GIFTS	$ 14,966,000	+12.2%	$ 13,336,000	+ 5.6%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 35,033,000	+ 7.1%	$ 32,717,000	+ 6.2%
Other Premiums	$ 53,862,000	+ 7.3%	$ 50,214,000	+ 7.6%

	EXPENDITURES 1986		EXPENDITURES 1985	
PHARMACEUTICALS	**$172,919,000**	**+12.9%**	**$153,159,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 52,192,000	+12.9%	$ 46,217,000	+ 8.1%
Travel	$ 14,111,000	+15.4%	$ 12,231,000	+ 10.0%
Dealer Merchandise	$ 21,854,000	+12.3%	$ 19,459,000	+ 11.5%
Travel	$ 9,050,000	+27.8%	$ 7,084,000	+ 8.1%
BUSINESS GIFTS	$ 30,917,000	+11.2%	$ 27,814,000	+ 6.5%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 20,870,000	+14.5%	$ 18,232,000	+ 7.1%
Other Premiums	$ 23,922,000	+ 8.1%	$ 22,122,000	+ 7.3%
PUBLIC UTILITIES	**$24,960,000**	**+9.8%**	**$22,738,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 6,137,000	+12.0%	$ 5,481,000	+ 9.3%
Travel	$ 3,066,000	+ 9.6%	$ 2,798,000	+ 8.4%
Dealer Merchandise	$ 2,994,000	+ 9.1%	$ 2,744,000	+ 8.8%
Travel	$ 361,000	+12.1%	$ 322,000	+ 11.8%
BUSINESS GIFTS	$ 2,580,000	+16.8%	$ 2,208,000	+ 1.0%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 5,029,000	+ 9.2%	$ 4,604,000	- 4.3%
Other Premiums	$ 4,793,000	+ 4.6%	$ 4,581,000	+ 1.8%
PUBLISHERS & BROADCASTERS	**$252,632,000**	**+7.0%**	**$236,136,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 85,707,000	+ 1.8%	$ 84,215,000	+ 10.8%
Travel	$ 17,226,000	+43.4%	$ 12,011,000	+ 11.1%
Dealer Merchandise	$ 11,918,000	+14.5%	$ 10,411,000	+ 10.3%
Travel	$ 5,466,000	+13.6%	$ 4,812,000	+ 9.3%
BUSINESS GIFTS	$ 33,102,000	+ 2.9%	$ 32,173,000	+ 3.8%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 67,122,000	+ 8.1%	$ 62,086,000	+ 8.8%
Other Premiums	$ 32,091,000	+ 5.5%	$ 30,428,000	+ 6.6%
SPORTING GOODS & TOYS	**$49,302,000**	**+5.7%**	**$46,657,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 7,715,000	+ 1.5%	$ 7,602,000	+ 4.8%
Travel	$ 6,026,000	+ 7.3%	$ 5,616,000	+ 7.6%
Dealer Merchandise	$ 9,311,000	+ 8.0%	$ 8,621,000	+ 7.3%
Travel	$ 4,386,000	+ 3.9%	$ 4,221,000	+ 8.3%
BUSINESS GIFTS	$ 2,588,000	+ 6.0%	$ 2,441,000	+ 5.4%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 9,470,000	+ 5.9%	$ 8,944,000	+ 8.6%
Other Premiums	$ 9,806,000	+ 6.4%	$ 9,212,000	+ 7.1%
TOILETRIES & COSMETICS	**$797,573,000**	**+5.1%**	**$759,227,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$241,191,000	+ 4.5%	$230,820,000	+ 7.9%
Travel	$ 36,189,000	+ 5.2%	$ 34,410,000	+ 11.3%
Dealer Merchandise	$ 89,117,000	+ 5.3%	$ 84,655,000	+ 9.9%
Travel	$ 13,221,000	+10.9%	$ 11,923,000	+ 15.6%
BUSINESS GIFTS	$ 68,352,000	+ 5.0%	$ 65,114,000	+ 5.1%
CONSUMER PREMIUMS				
Mail-In Promotions	$170,360,000	+ 5.2%	$161,886,000	+ 9.3%
Other Premiums	$179,143,000	+ 5.1%	$170,419,000	+ 8.0%

EMPLOYEE MOTIVATION

Keeping the Skies Friendly

Fierce competition has airlines looking for ways to prompt customer service employees to perform under pressure.

By Aaron Sugarman

The line for boarding passes stretches out of sight. The flight is significantly overbooked and indefinitely delayed. The crowd is surly. A meager number of ticket agents and flight attendants must diffuse the situation and keep angry customers from becoming angry ex-customers.

Considering the state of the airline industry, carriers have reason to be concerned about such scenarios. At a time when the airlines most need their customer contact people to be patient, pleasant and helpful, these employees are facing mounting job pressures. Their job security is threatened by mergers, bankruptcies and weakened unions, and their wages are under siege as carriers slash operating costs to survive fierce competition. It is not the type of environment that prompts employees to perform beyond the call of duty.

Airlines are well-schooled in motivating groups of people to perform in a manner favorable to themselves. They offer free trips to exotic destinations to frequent flyers, travel agents and the travel press. They have established incentive programs for corporate sales staffs and safety programs for maintenance and ground personnel. Yet many are only now wrestling with the issue of stimulating and rewarding the performance of customer service

At American, "innovation teams" are awarded points for creative ideas to improve the airline. Winners get an "all you can grab" run through a merchandise warehouse.

employees—the people in direct contact with the consumer.

"Other than safety, customer service is the most important thing we do," said Don Shanks, vice president of customer relations for Piedmont Aviation, Winston-Salem, N.C. While other airline officials agreed with Shanks, they presented a wide variety of approaches to the task of getting the most from their employees.

Piedmont offers a number of employee motivation and recognition programs, as do Continental Airlines and American Airlines. Delta Air Lines does not, relying instead on what a spokesperson described as a strong benefits package and a supportive corporate culture. United Airlines claims that its customer service people are not interested in incentive programs, while Pan American World Airways currently has the whole matter under evaluation.

"Customer contact employees represent a group that contributes dramatically to an airline's performance but in no distinctly measurable way, which makes it exceptionally difficult to design an incentive program for them," said David Treitel, vice president of airline consulting firm Simat, Helliesen and Eichner in New York. The measurement problem has kept most airlines from implementing employee motivation programs, he explained.

Measurability is not the only factor limiting the use of incentive programs for customer contact employees, according to Quentin David, director of communications for the Chicago-based Airline Employees Association. The association represents 10,000 employees at Northwest Airlines and Frontier Airlines, as well as a couple of regional carriers. "I think management feels being cheerful and motivated is part of the normal job responsibilities and does not consider any bonuses for excelling," David said.

Airline employees also can be motivated simply by the promise of keeping their jobs, David said. During the strike by Trans World Airlines flight attendants that began last March, about 1,300 attendants resigned from their union to keep working.

Job security is what Atlanta-based Delta considers one of its most effective incentives. "No one has been furloughed in decades, and that's not something many airlines can say," said director of public relations Bill Berry. Rather than formal motivation programs, Delta prefers a more traditional set of benefits, a stock distribution plan and salary levels at or above industry norms to keep their employees productive.

The carrier does have a monthly customer service award designed to recognize extraordinary efforts by its employees. "We recognize people for exceptional efforts, like applying CPR (cardiopulmonary resuscitation) to a passenger that has collapsed in the concourse," Berry said. Each month, four or five winners out of some 40,000 employees receive a plaque and lapel pin.

Continental, which required some CPR of its own after filing for Chapter 11 bankruptcy in 1983, has been one of the most successful carriers at cutting operating costs. Wage and other concessions by employees have been countered by the introduction of cash rewards for innovative, money-saving ideas.

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Gain-sharing programs are Continental's primary motivational tool. "Basically if you save the company money, you're going to get a check in proportion to your contribution," said David Messing, a spokesperson for the Houston-based airline.

Continental has rewarded its flight attendants for reducing customer complaint levels, controlling the cost of overnight lodging and taking less costly meals for themselves while in-flight, he said. Incentive programs reward reservationists for sales effectiveness—reservations that actually turn into tickets used—as well as volume.

Thanks to its overall productivity efforts Continental has posted significant gains. The carrier's available seat miles (ASM's), which measure how much capacity an airline produces, rose from 1.13 million per employee in 1978 to 1.88 million in 1985—one of the highest figures in the industry, according to Simat, Helliesen and Eichner.

Piedmont has a variety of recognition programs, headed by its TOPS (Total Outstanding Passenger Service) Award. The airline's customer relations executives use the best complimentary letter from a passenger each month to select a TOPS award winner who is given five shares of company stock and an engraved plaque. All employees mentioned in complimentary letters are listed in the People Pleasers section of the company newsletter, Shanks said.

"We also encourage incentive programs on a local level, and many of our reservations facilities select agents of the month and agents of the year and celebrate with luncheons, dinners and plaques," Shanks said.

On agent appreciation day, for example, local managers and supervisors cook and serve a picnic lunch for their employees. "We just had one recently with chicken stew cooked all day in big kettles out on the back lawn, and the employees received it very well. They appreciate the efforts of the company," he said.

United does not agree with using complimentary letters to measure job performance. "Say you're checking in a counter of people and one person holds things up by trying to gain a favorable comment from a passenger while everybody else is doing their job efficiently," said Chuck Novak, a spokesperson for the airline in Chicago. "We discussed the idea of incentive programs with our employees, and they said they think they're professionals and all of them are able to pull their own weight without needing an incentive."

Dallas-based American takes the opposite tack, offering some kind of incentive program for just about every position, according to spokesperson Larry Gotardi. "We think it is very important to show public recognition of achievements and reward innovative thinking," he said. "It's a healthy program. It promotes the feeling that if you're doing a good job, you're going to be recognized."

Awards are organized at both the local and corporate department/division level, Gotardi said. Winners are given plaques, pins, certificates, letters of commendation and points redeemable through a merchandise catalogue developed for employees. At the local level, employees are nominated for recognition by co-workers, and their managers determine winners. At the department/division level, workers can be nominated by co-workers, local management, customers and others in the company.

The culmination of American's motivation programs is the "Run Through The Warehouse" award given to employee teams coming up with the best ideas for cutting costs or generating revenue for the carrier. Any department can form an "innovation team" to be awarded points for ideas. The teams with the highest number of points at the end of the year-long contest get to take a one-minute "all you can grab" run through the warehouse of an incentive merchandise firm. ■

Customer contact complaints

Airline	Reservations, ticketing, boarding complaints	Customer service complaints	Total customer contact complaints	Customer contact complaints per 100,000 passengers
Delta	19	11	30	.09
Northwest	10	3	13	.12
Piedmont	8	13	21	.13
Pacific Southwest	6	7	13	.17
American	39	40	79	.24
Eastern	36	64	100	.32
USAir	21	29	50	.32
Republic	19	29	48	.34
Pan Am	22	24	46	.49
Continental	31	38	69	.50
United	67	112	179	.52
Western	21	29	50	.56
TWA	45	51	96	.70
People Express	61	29	90	.83

SOURCE: Department of Transportation consumer complaint report for the period January 1986 through September 1986.